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(copied to
Maurice)

NSC review completed.

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NATIONAL SECURITY COUNCIL
WASHINGTON, D.C. 20506CONFIDENTIAL
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March 5, 1982

MEMORANDUM FOR DANNY BOGGS, OPD
 RICHARD BURT, STATE
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 FRED KHEDOURI, OMB
 HENRY ROWEN, CIA
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 RICHARD PERLE, DEFENSE
 HENRY THOMAS, ENERGY
 BILL VAUGHN, ENERGY
 BING WEST, DEFENSE
 JAMES BURNHAM, CEA
 JAMES GRANGER, JCS

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SUBJECT: NSSD: Comprehensive U.S. Energy Security Policy (C)

Attached is a draft National Security Study Directive setting out the objectives and scope of an interagency study on Comprehensive U.S. Energy Security Policy. We are circulating it to you informally for comment and revision. The revised version will be submitted by Bill Clark to the President for decision on the final work program of the study and administrative arrangements.

Please submit your comments in writing no later than COB, Friday, March 12, 1982.

*Response
 phoned in to H. Nau
 by C/MC 3/12/82*

Henry R. Nau
 Henry R. Nau

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Review 3/5/88

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NATIONAL SECURITY STUDY DIRECTIVE

DRAFTComprehensive U.S. Energy Security PolicyIntroduction

The Administration has yet to establish a comprehensive policy for dealing with the security of energy supplies. Such a policy is needed to complement the Administration's market-oriented policy toward the production and consumption of energy supplies. (TS)

An energy security policy deals with non-economic influences on the market. Twice in the past nine years, these non-economic influences -- embargo-induced production cutbacks in 1973 and the Iranian revolution in 1979 -- have impacted severely on the market for energy. Because energy is an essential and pervasive commodity for industrial and agricultural production, the security of energy supply is vital to national economic and ultimately national security interests. In addition, America's principal allies acquire a major share of their energy requirements through imports and would suffer severe economic and political dislocations if these imports were suddenly interrupted. (TS)

This National Security Study Directive establishes the Terms of Reference for an interagency study to establish a comprehensive national security policy for energy. (TS)

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TOP SECRETObjective of Study

The study will lead as appropriate to a National Security Decision Directive on U.S. energy security policy for consideration by the National Security Council and, in turn, for decision by the President. (TS)

Scope

The interagency study should examine the following issues:

- I. Projections of world energy supply, demand and trade (OECD, Communist countries, and LDCs)
 - o Range of best estimates for
 - who will be producing, exporting and importing
 - what types of energy
 - at what prices
 - in what amounts (C)
- II. Assessments of Threat of and Vulnerability from Disruption of Projected Levels of Energy Imports
 - o Threat
 - Sources of possible disruptions
 - likelihood of occurrence of various types of disruption
 - o Vulnerability
 - economic effects of disruptions on domestic and international markets

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- political ramifications
- effects on military preparedness (TS)

III. Planning for Disruptions

- o Whether and how to deter threats of disruption
 - diplomatic leverage with producers and exporters
 - defense measures to enhance stability in major producing and exporting regions
 - safety net measures (e.g. stockpiles, surge capacity, etc.) to reduce effects of disruption and hence value of disruption to hostile suppliers
- o Planning to cope with disruptions
 - whether and how USG should influence oil company purchases abroad either to fill SPR or to diversify away from unreliable sources of supply
 - guidelines for use of SPR in crisis
 - planning to ensure that U.S. and NATO military needs are met in crisis
 - planning to ensure rapid repair of facilities destroyed in crisis
 - international strategies to cope with disruption
 - military measures coordinated in NATO (e.g. deployment of RDF, etc.)

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-- diplomatic measures coordinated through
International Energy Agency or elsewhere

-- use of International Oil Emergency Sharing
Plan (TS)

IV. Long-Term Policies to Reduce Imports from Unreliable Sources
of Supply

- o incentives for more efficient use of energy
- o incentives for greater production and substitution
of more secure energy supplies.
- o effects of cyclical swings in oil prices on
development of alternative energy supplies (C)

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